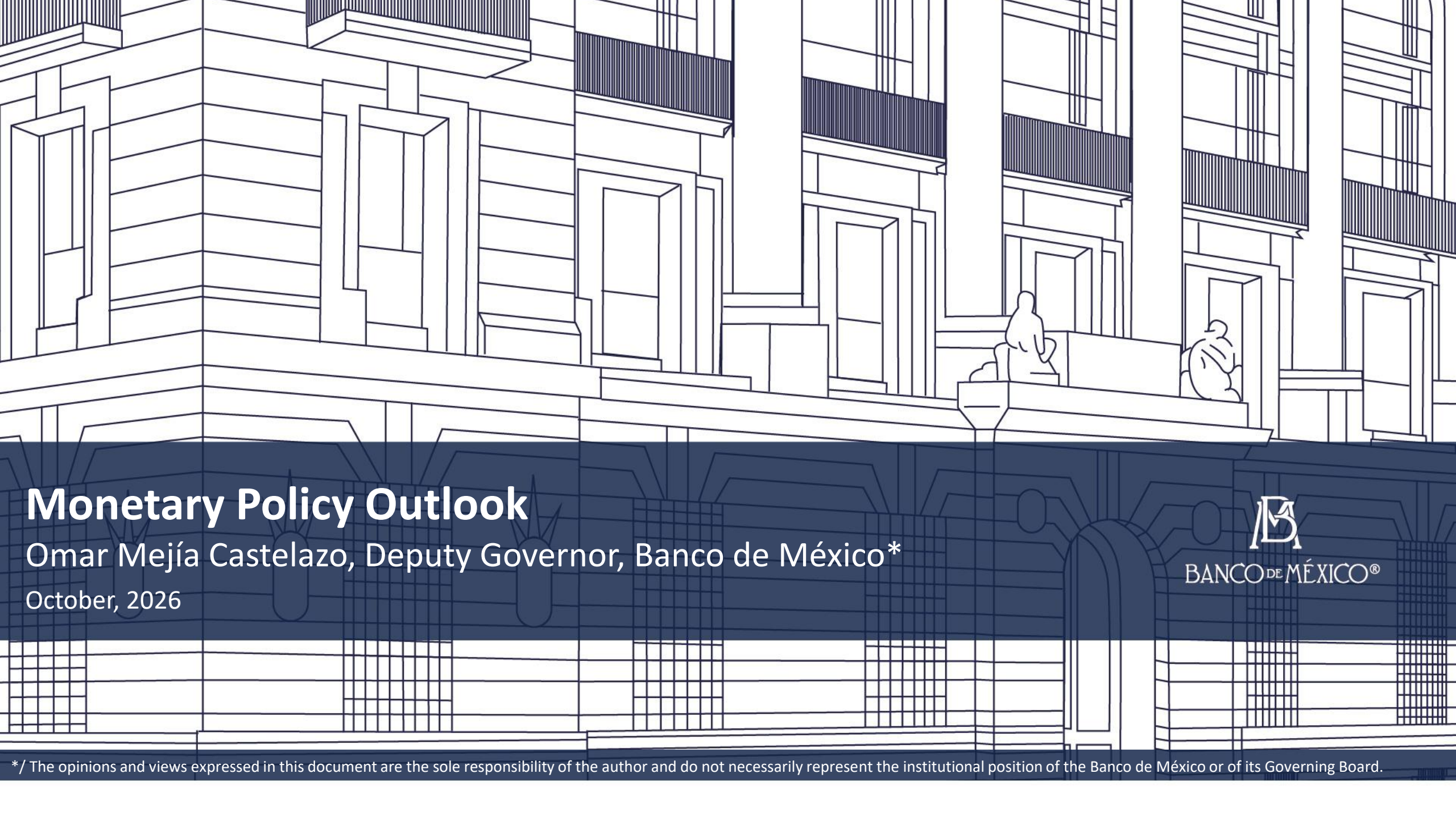




Monetary Policy Outlook

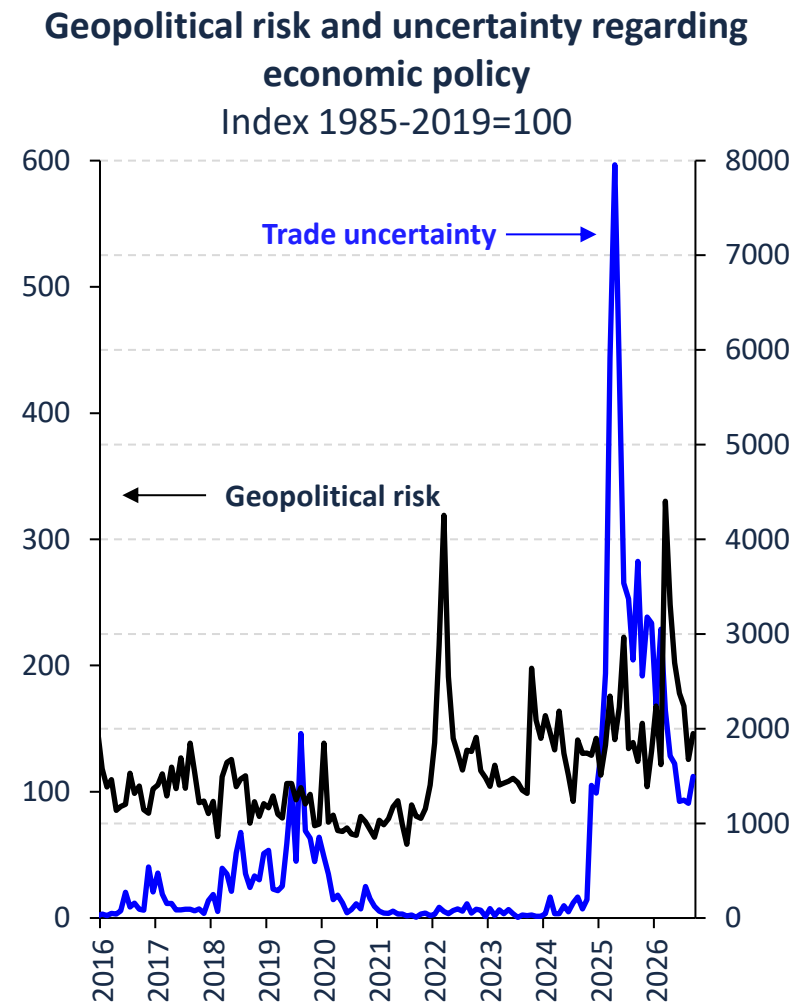
Omar Mejía Castelazo, Deputy Governor, Banco de México*

October, 2026

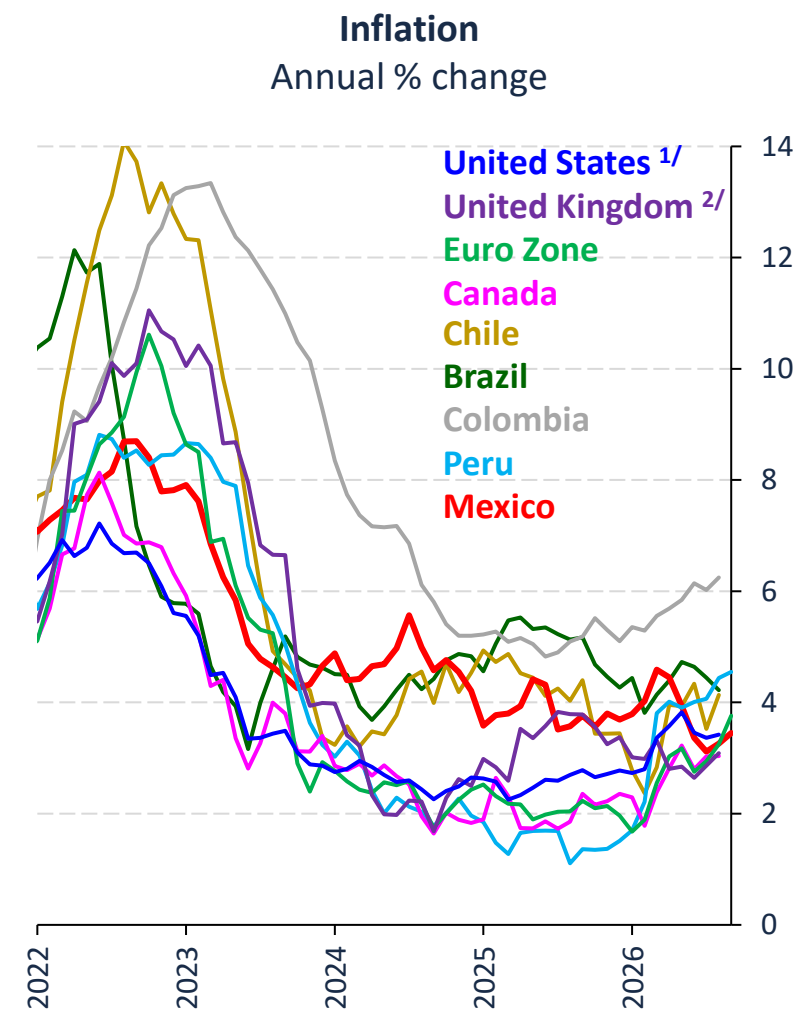


*/ The opinions and views expressed in this document are the sole responsibility of the author and do not necessarily represent the institutional position of the Banco de México or of its Governing Board.

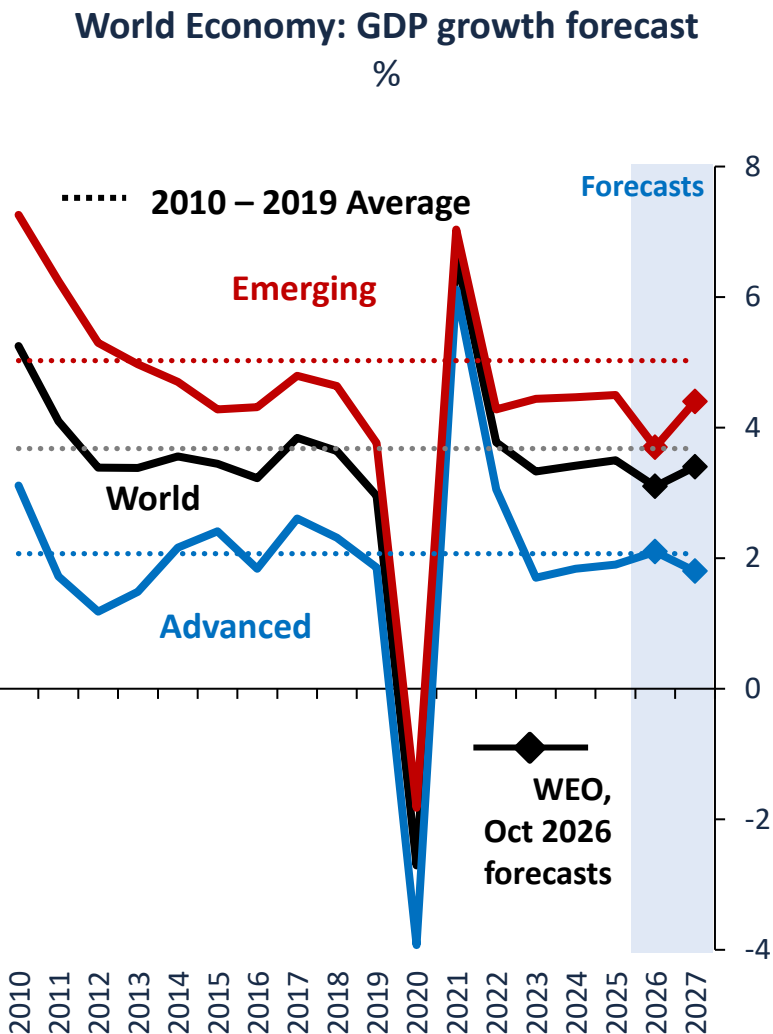
Global uncertainty poses risks in both sides of the global inflation balance.



Source: Bloomberg and Caldara, et al. (2022).

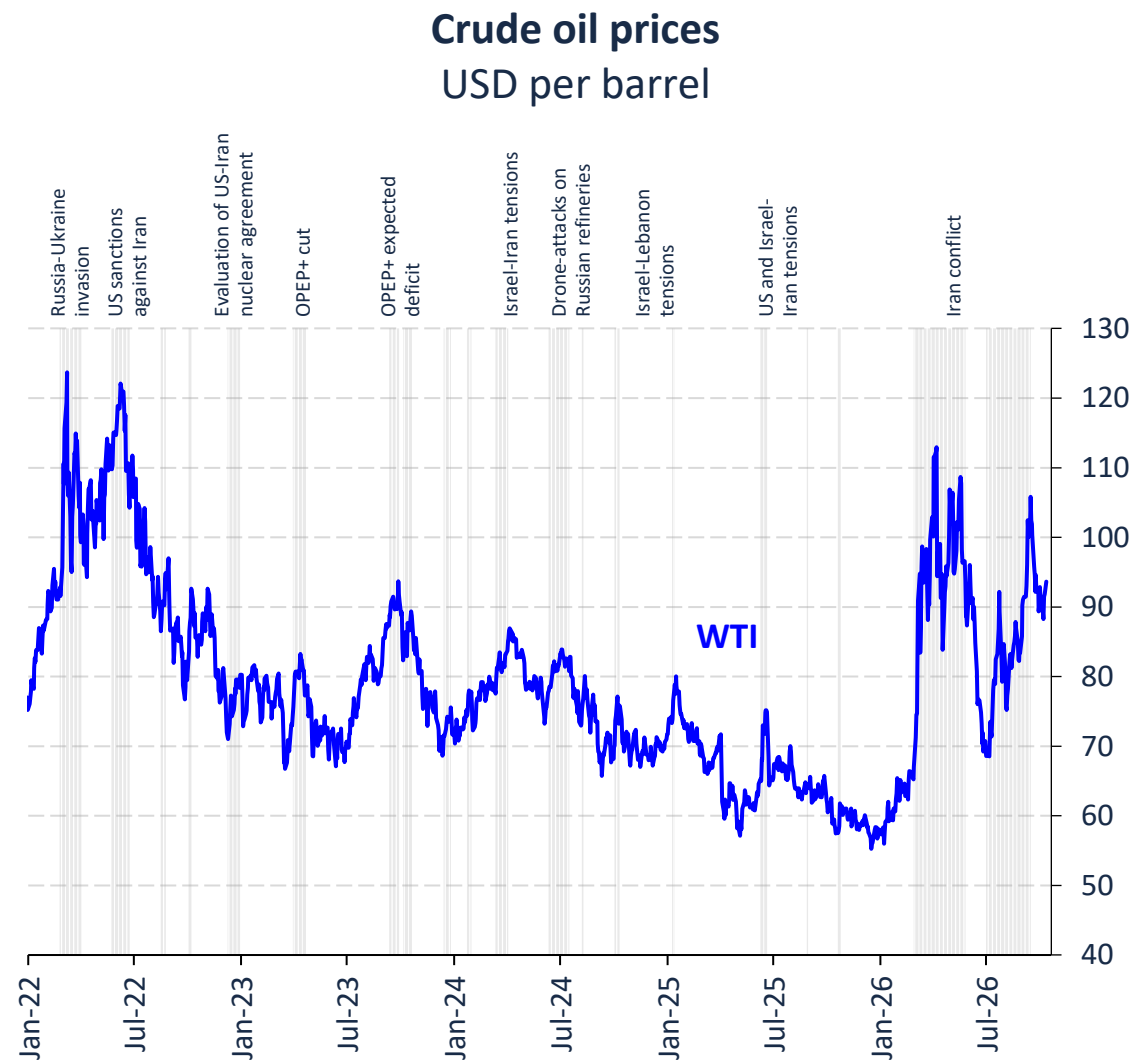


1/ Personal consumption expenditures (PCE) deflator. 2/ The harmonized index is used. Source: Haver analytics and INEGI.

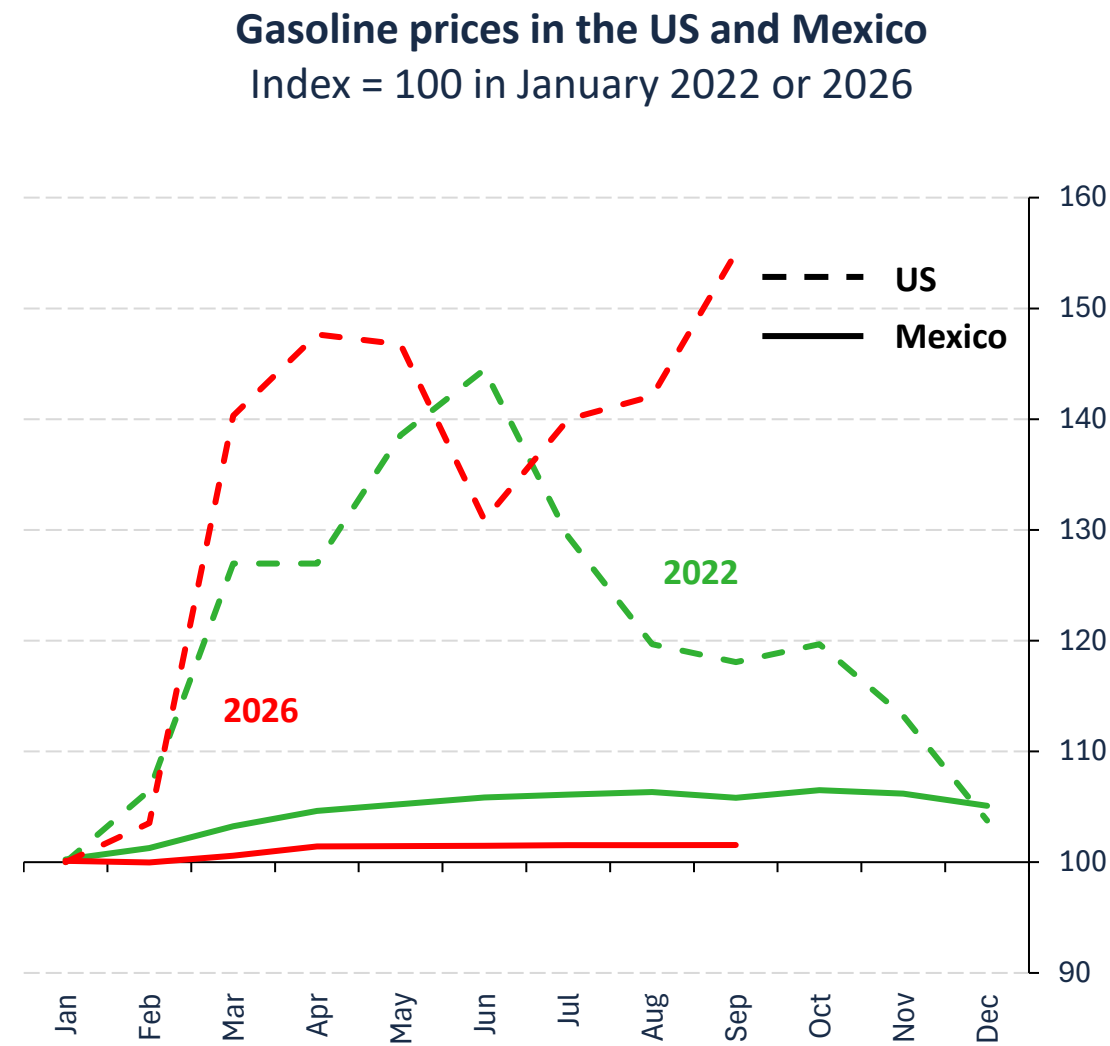


Source: International Monetary Fund.

The transmission of the energy shock has been limited in Mexico.

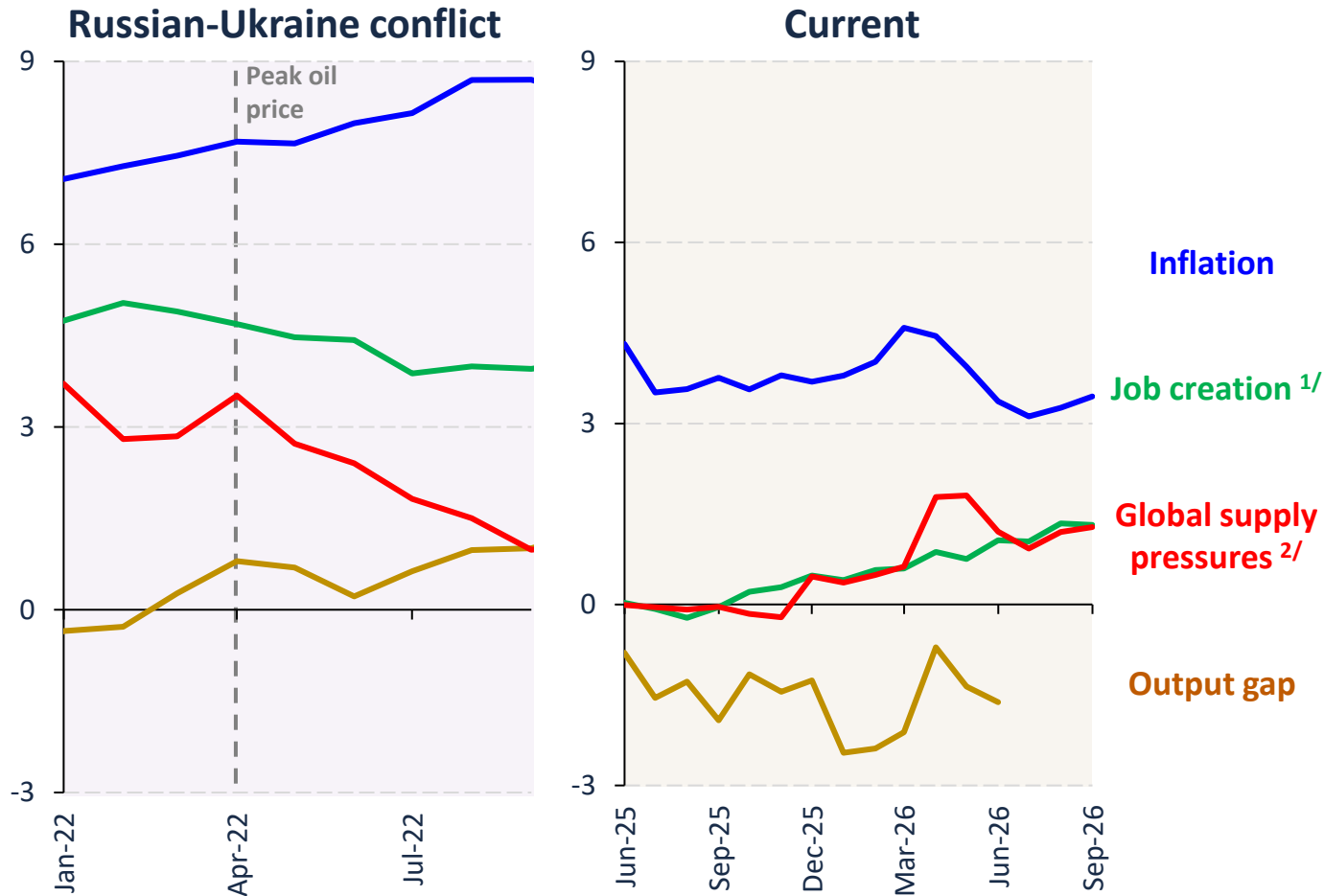


Source: Elaborated by Banco de México with Bloomberg's and INEGI data.



Current oil shock occurs under particular macroeconomic conditions.

Domestic macroeconomic indicators and global supply chains
Annual % change, Percentage of potential output, Sd from average



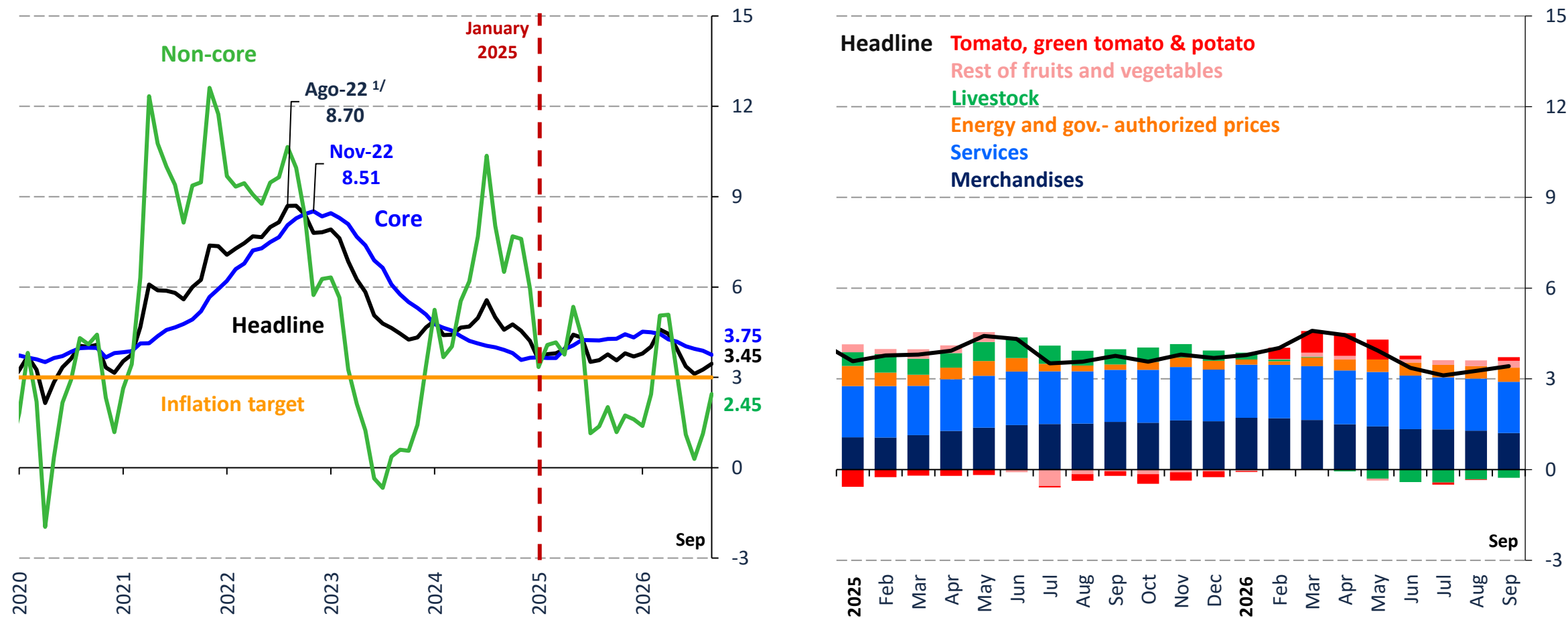
	Jan-22 to June-22		Sep-25 to most recent
Peak oil price*	123.7 USD per barrel	vs.	111.54 USD per barrel
Global supply pressures	Around 3 sd above historical average	vs.	Around 1 sd above historical average
Inflation	7 to 8%	vs.	3.1 to 4.6%
Job creation (annual change)	4.4 to 5%	vs.	0 to 1.4%
Economic activity	Activity recovery	vs.	Clear slack conditions

* Peak using daily reference price.

1/ Annual % change of IMSS-insured jobs. From June 2025 to January 2026, it is presented the IMSS-insured excluding jobs on digital platforms. 2/ Global Supply Chain Pressure Index (GSCPI).
Source: INEGI, Federal Reserve Bank of New York, Banco de México and IMSS.

In Mexico, inflation has descended, but it continued affected by adjustments in relative prices.

Consumer Price Index
Annual % change and percentage points^{2/}

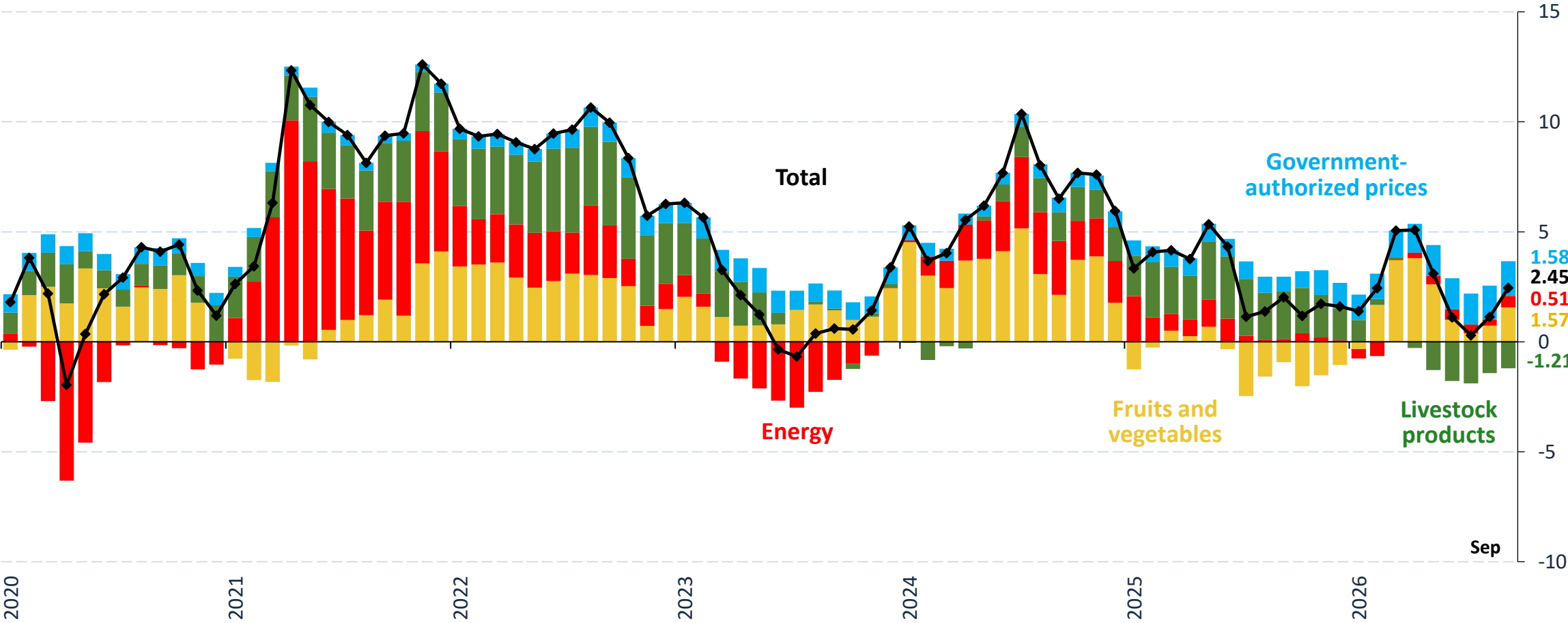


1/ The headline inflation figure for both August and September 2022 was 8.70%. 2/ The sum of inflation's components may not add up due to rounding.
Source: Banco de México and INEGI.

Shocks to fruits and vegetables prices tend to dissipate fast.

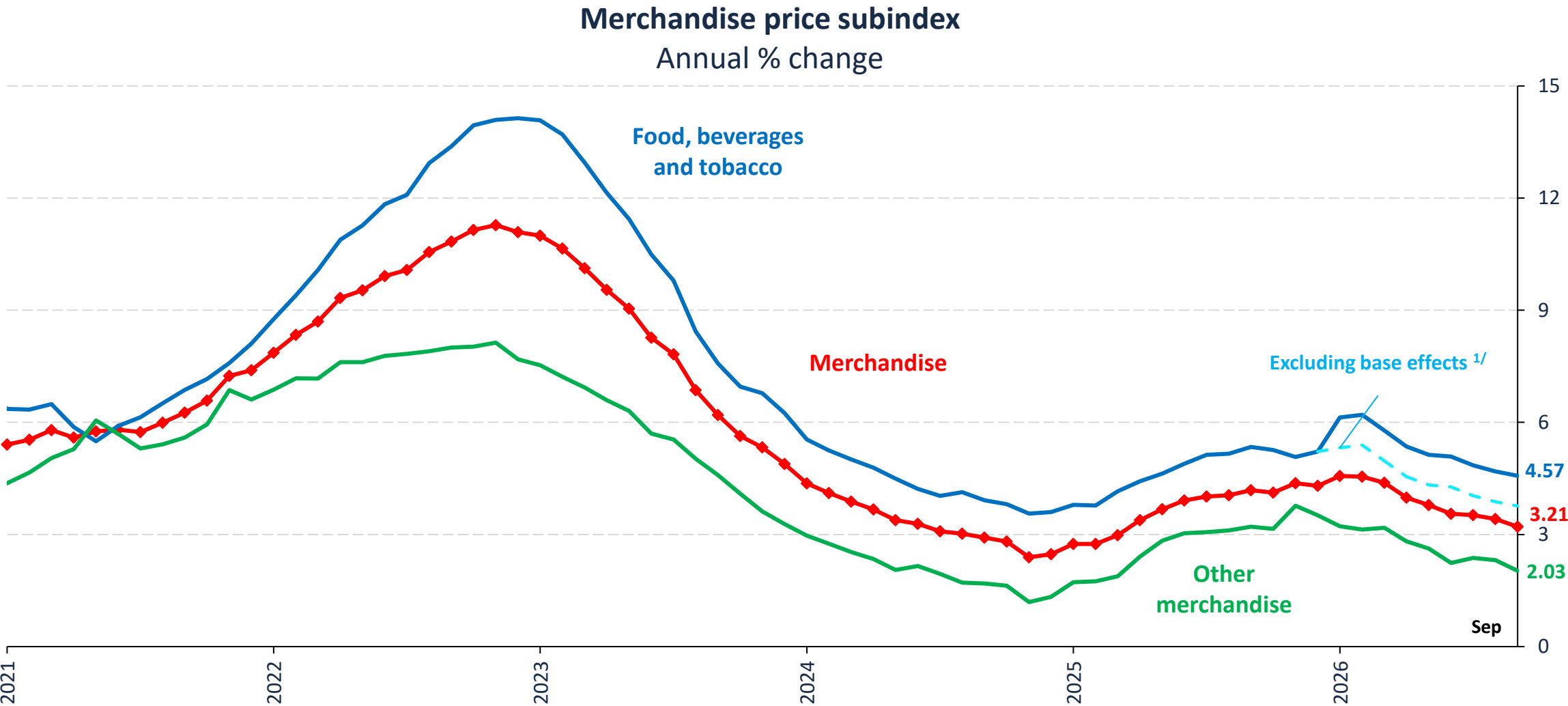
Non-core inflation

Annual % change and incidences in percentage points



Source: Elaborated by Banco de México with INEGI data.

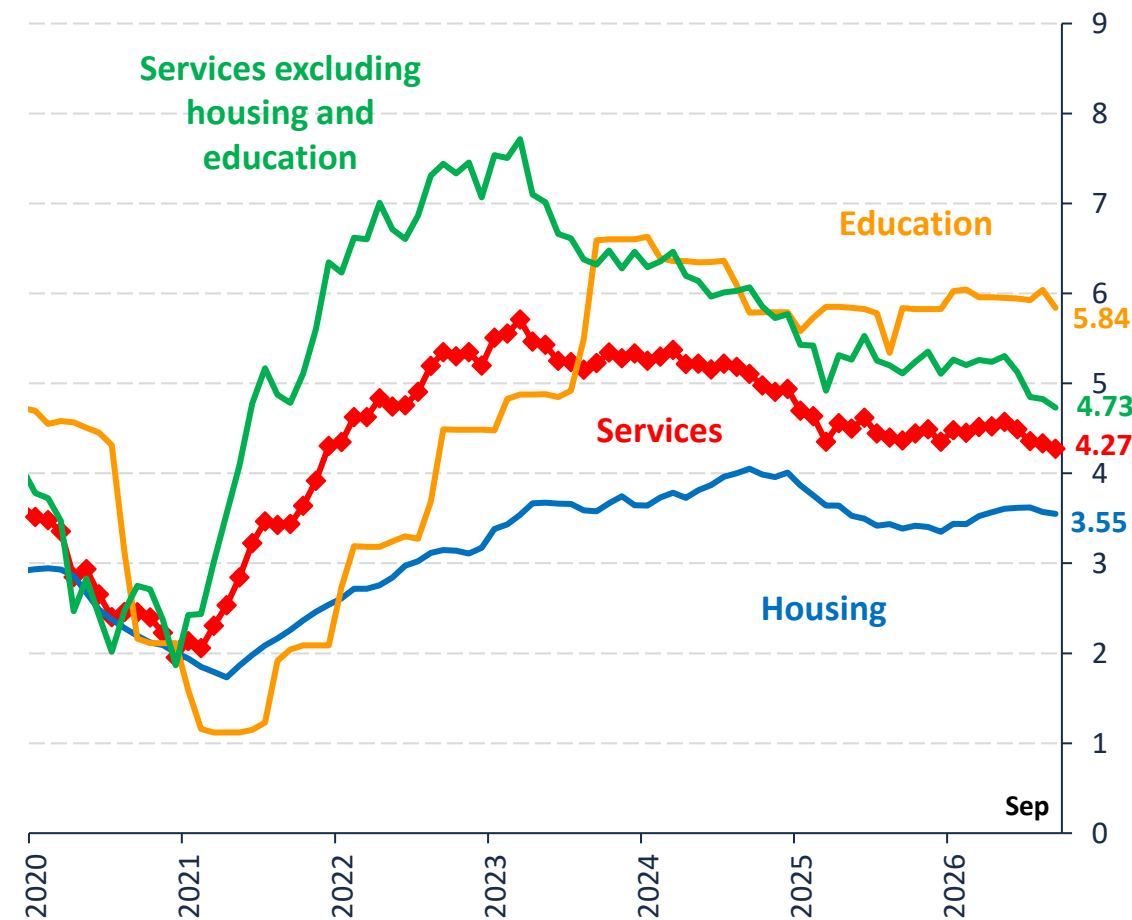
Merchandise inflation excluding components affected by tax updates has decreased.



1/ It is estimated as the difference between the observed price index and a counterfactual index in which the items affected by the IEPS would have followed their historical January month-on-month variation. This effect is expected to carry through the year via base effects. Source: INEGI and Banco de México.

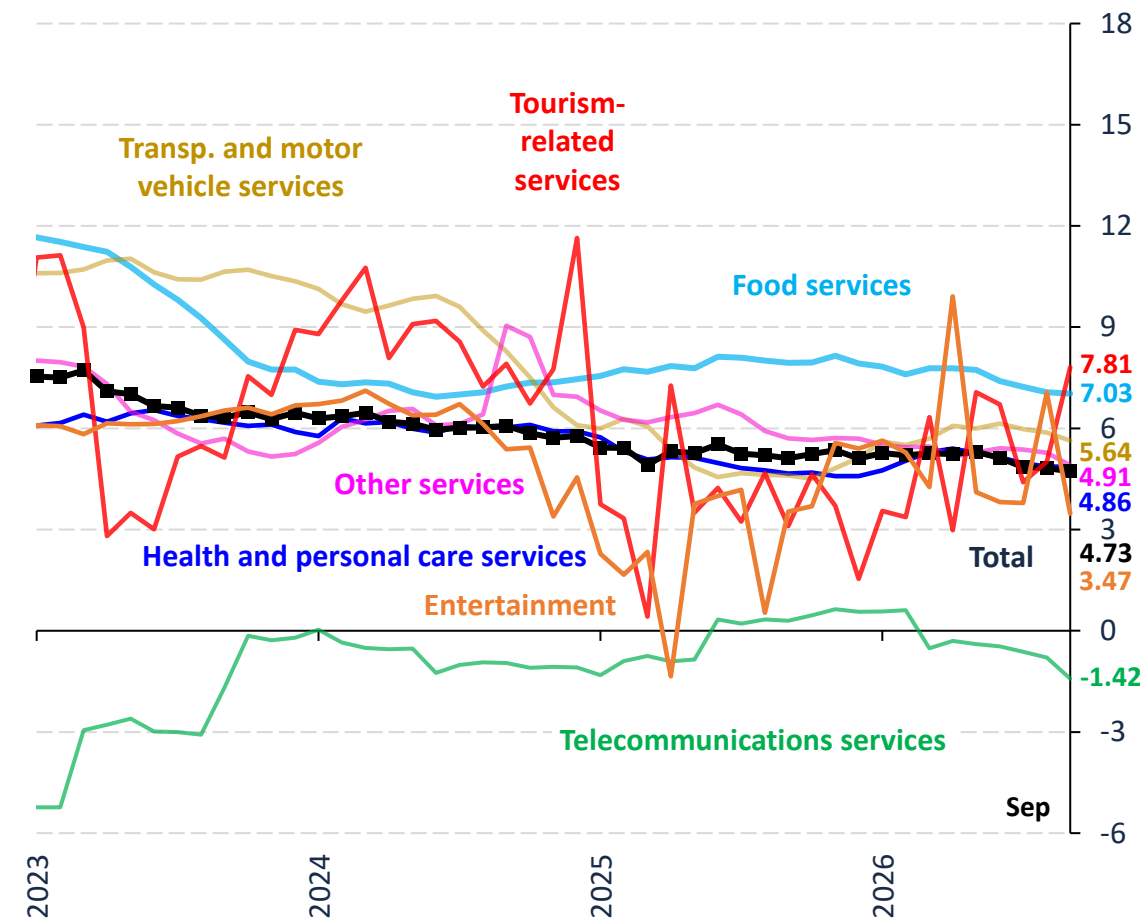
Services inflation has diminished gradually, with persistence in some components, particularly in food-related services.

Services price subindex
Annual % change



Source: INEGI.

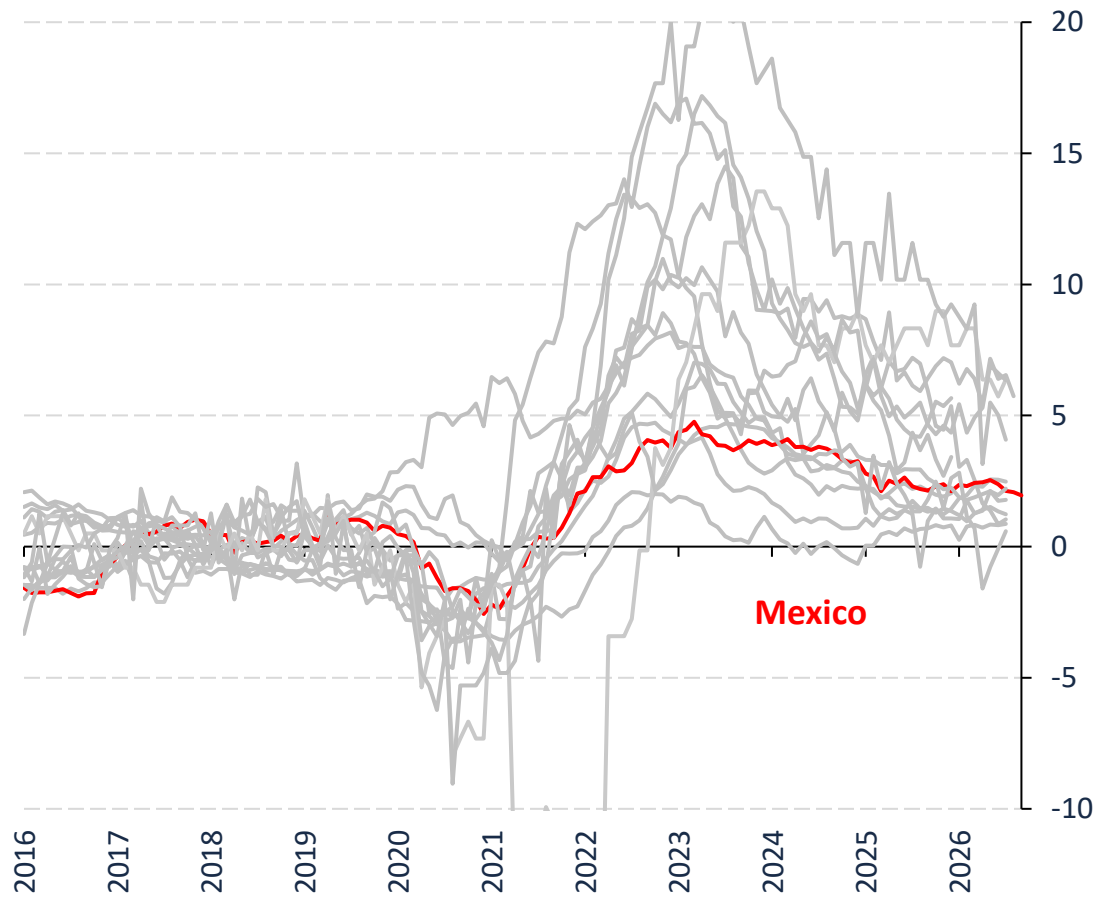
Services excluding housing and education
Annual % change



Source: Elaborated by Banco de México with data from INEGI.

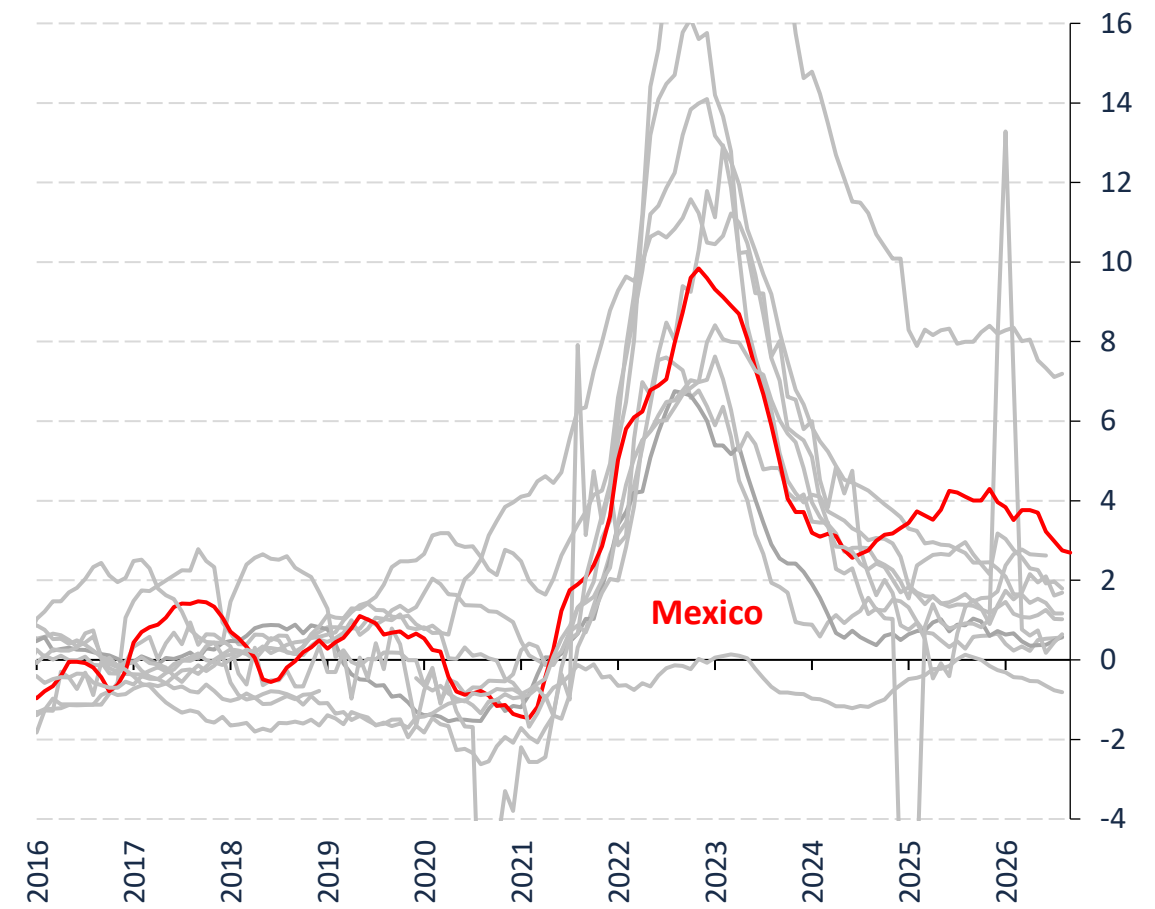
Services inflation has remained above pre-pandemic historical levels.

Services inflation
Standard deviations from pre-Covid mean



1/ Includes US (PCE), UK, Euro zone, Canada, Switzerland, Japan, Brazil, Chile, Colombia, Czechia, Hungary, Israel, Korea, Poland and Mexico. Source: Banco de México with data from OECD and domestic statistic offices.

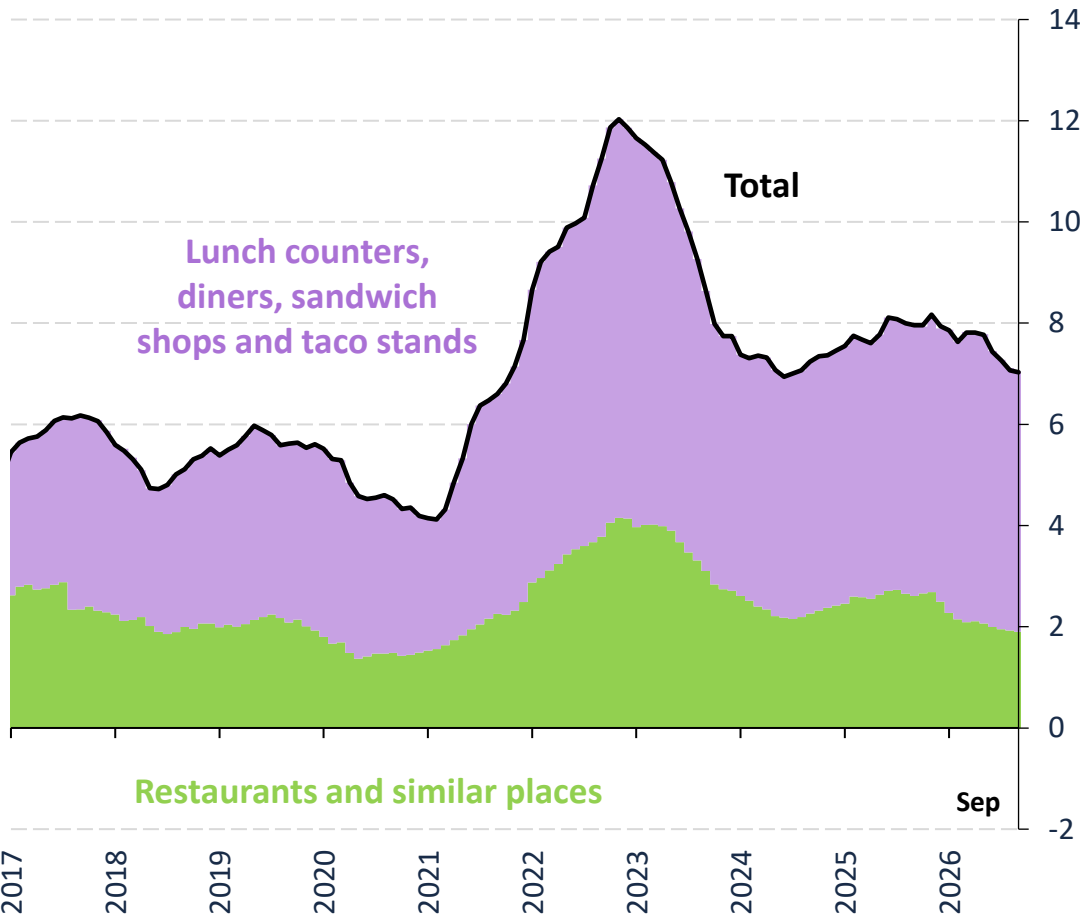
Food services inflation
Standard deviations from pre-Covid mean



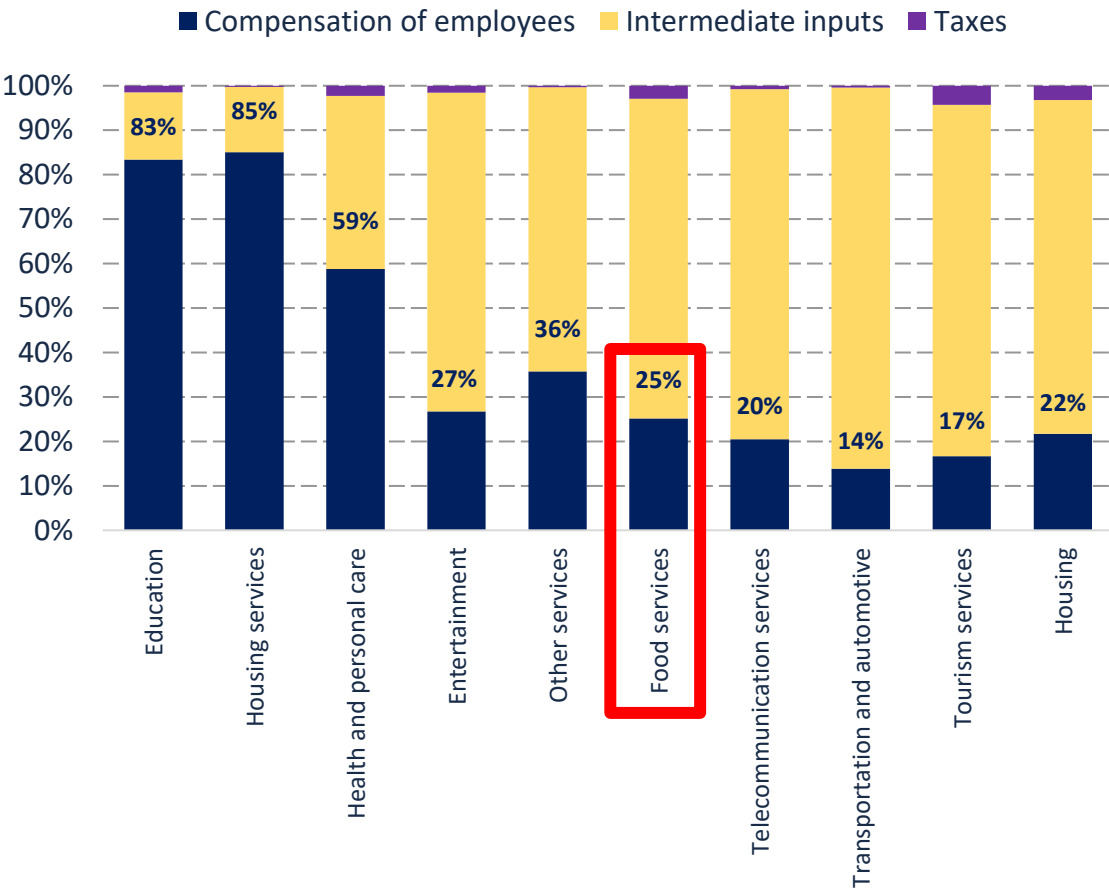
2/ Includes US (PCE), UK, Euro zone, Canada, Japan, Brazil, Chile, Colombia, Czechia, Korea, Poland and Mexico. Source: Banco de México with data from Haver analytics and domestic statistic offices.

Cost structure of food services is less labor-intensive compared to other services.

Food services
Annual % change



Cost of non-capital factors
% of production excluding operating surplus



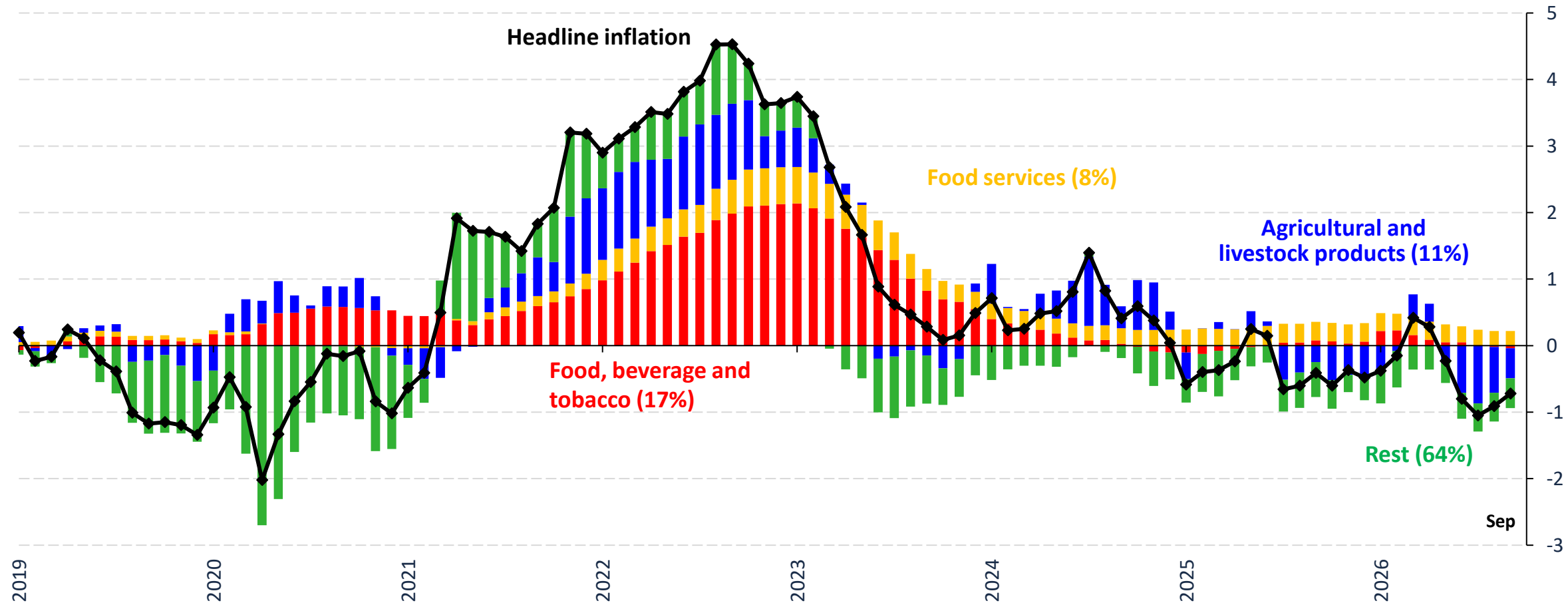
Source: Elaborated by Banco de México with data from INEGI.

Source: Banco de México using data from INEGI.

The inflationary pressures are not widespread, those related to food services persist.

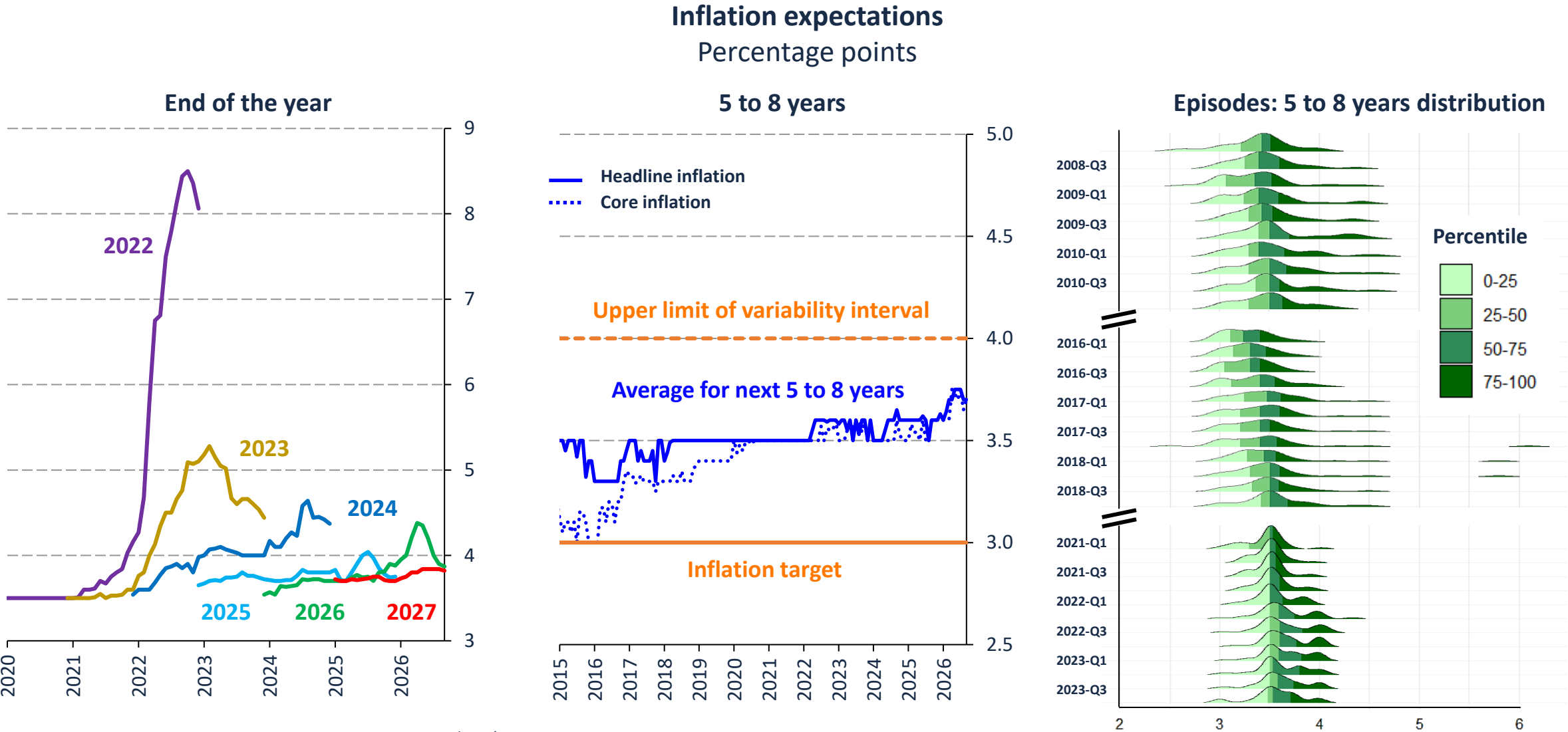
Consumer Price Index

Contribution to annual change relative to historical average ^{1/}



^{1/} Historical average corresponds to mean between January 2003 and December 2019. Source: Banco de México and INEGI.

Inflation expectations remain anchored.



Source: Private Sector Economists Expectations Survey, Banco de México.

Adjustments in long run expectations in several economies due to an elevated uncertainty.



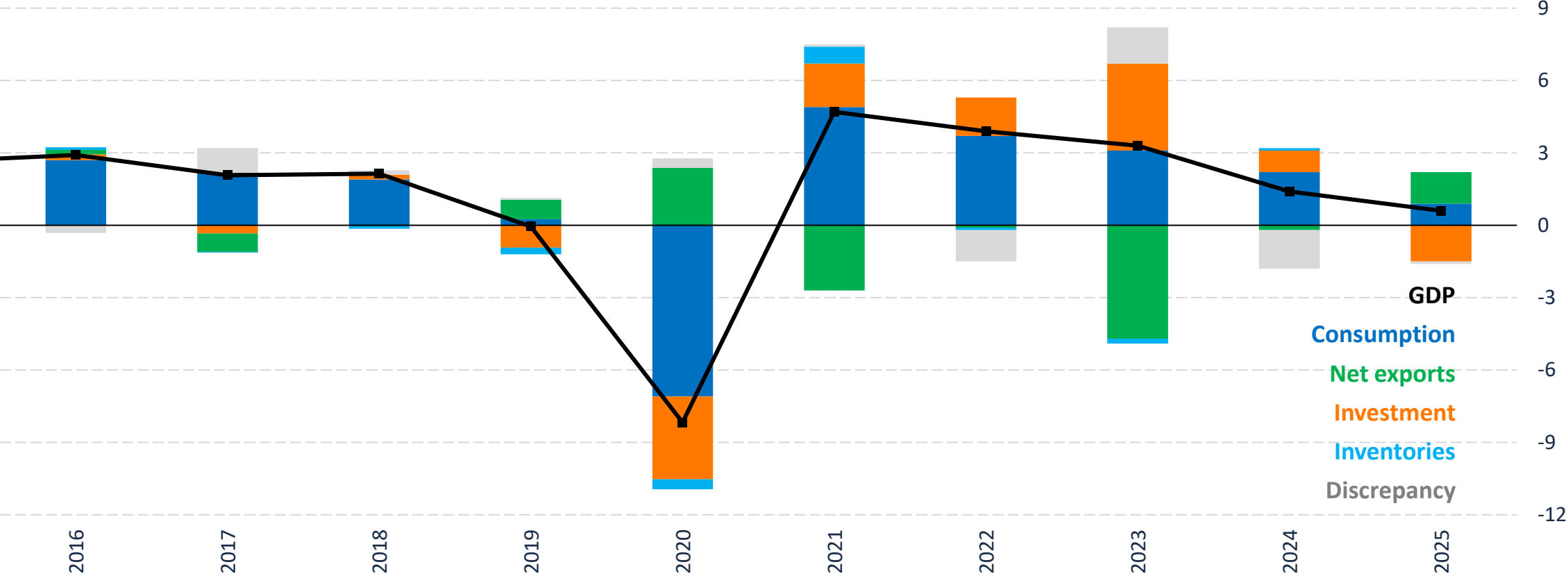
Source: Private Sector Economists Expectations Survey, Banco de México.



Source: Banco de México’s elaboration based on data from national central banks and surveys conducted among specialists, economists, and market participants. For comparability with Mexico purposes, it were used 5 years expectations.

Consumption and exports have provided support for economic growth, however investment has been affected by global uncertainty.

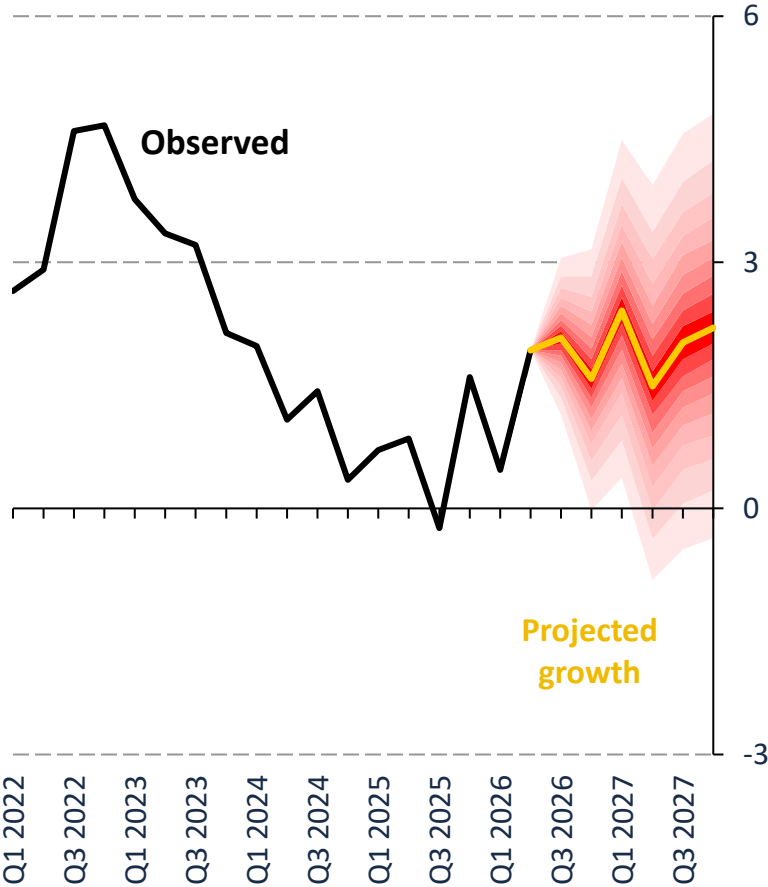
Aggregate demand
Annual % change and percentage points



Source: Elaborated by Banco de México with data from INEGI.

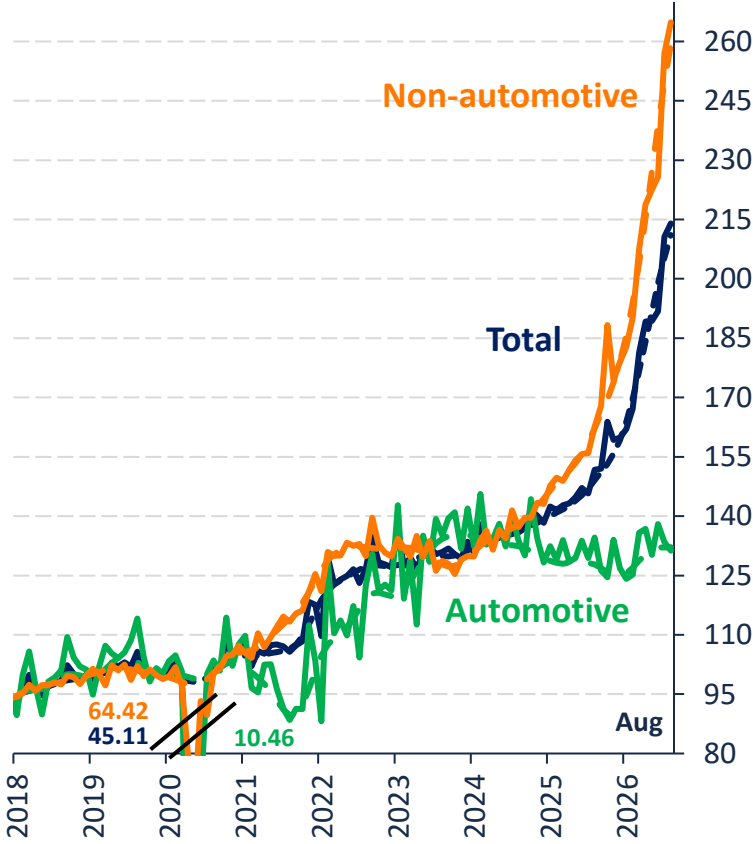
A moderate economic recovery is expected throughout the forecast horizon.

Fan chart: GDP growth
Annual % change, s.a.



s. a./ Seasonally adjusted figures.
Source: Banco de México.

Manufacturing exports ^{1/}
Index 4Q-2019=100, s.a.



s. a. / Seasonally adjusted series. 1/ The vertical scale of the charts has been limited to facilitate readability. Note: The dashed line denotes the trend of the series. Source: INEGI.

Economic outlook considerations

Technology related industries

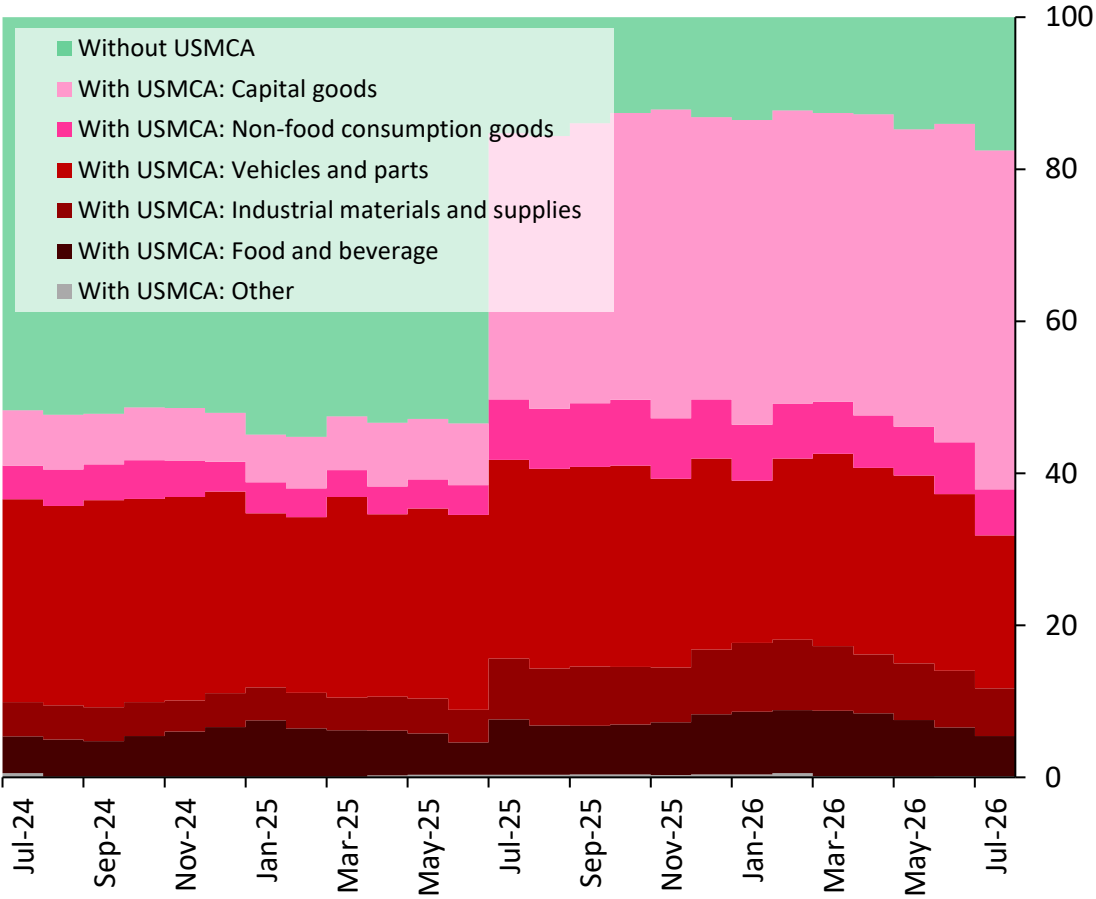
- Global impulse to technology could continue to be a support to exports and to other industries in the country.

2026 - 2030 Infrastructure projects

- Progress on infrastructure projects involving mixed investment could revitalize investment and generate greater economic activity growth.

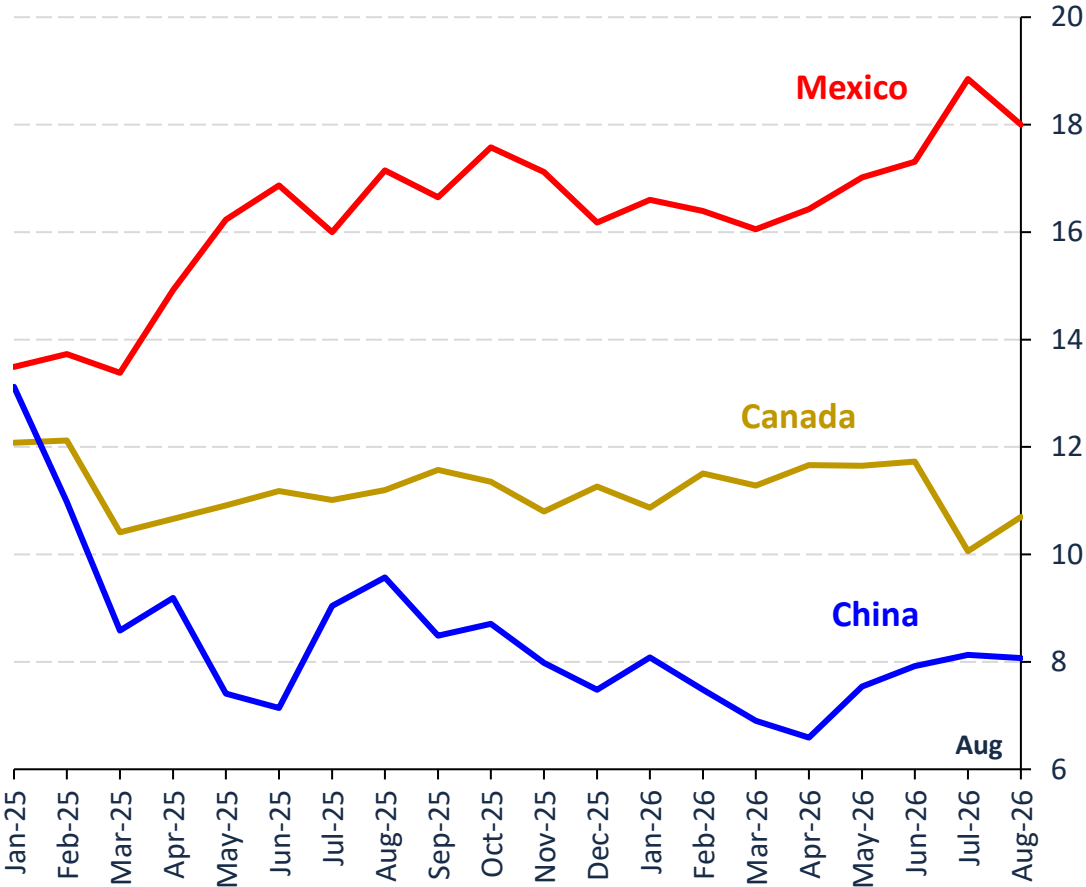
Recent shifts in trade policy have strengthened Mexico's position, creating incentives for deeper integration.

U.S. imports originating in Mexico: with and without USMCA
Percentage of total



Notes: Product type classification was based on the final use classification of goods. Source: Prepared by Banco de México with information from the U.S. Department of Commerce.

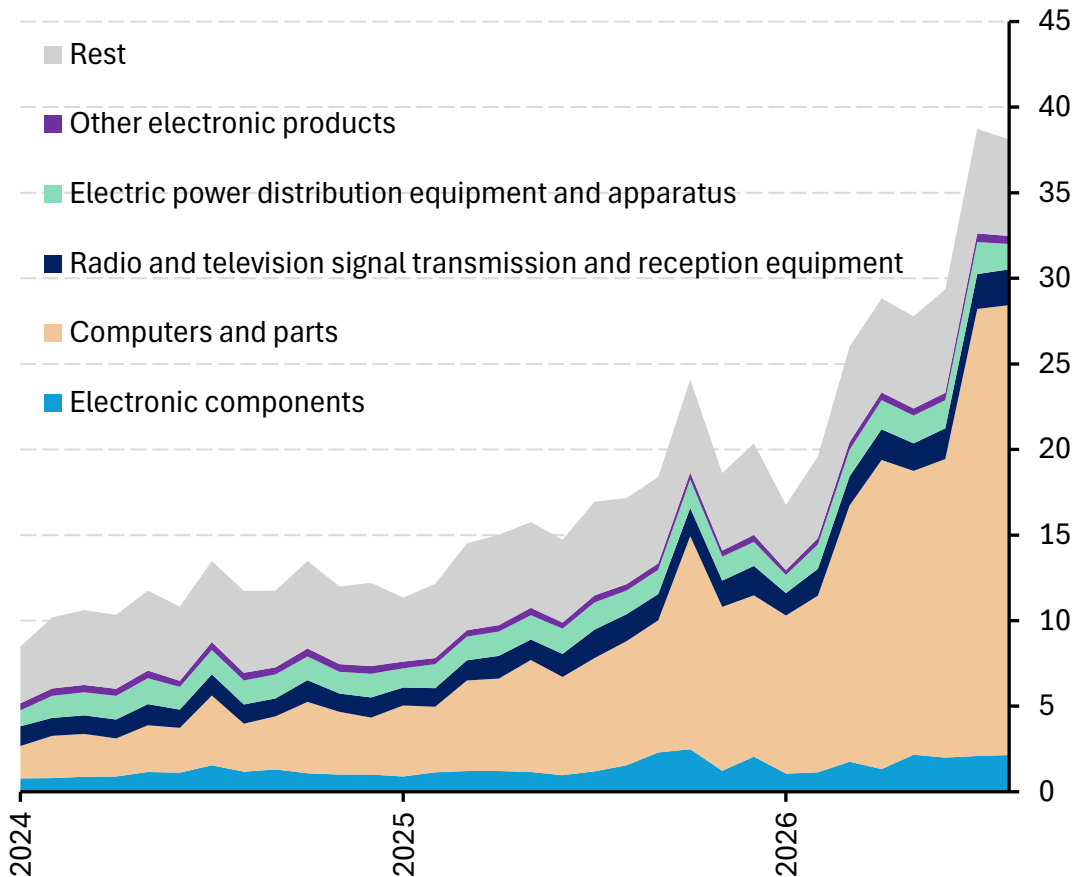
Participation in US imports
% of total imports



Source: US Commerce Department.

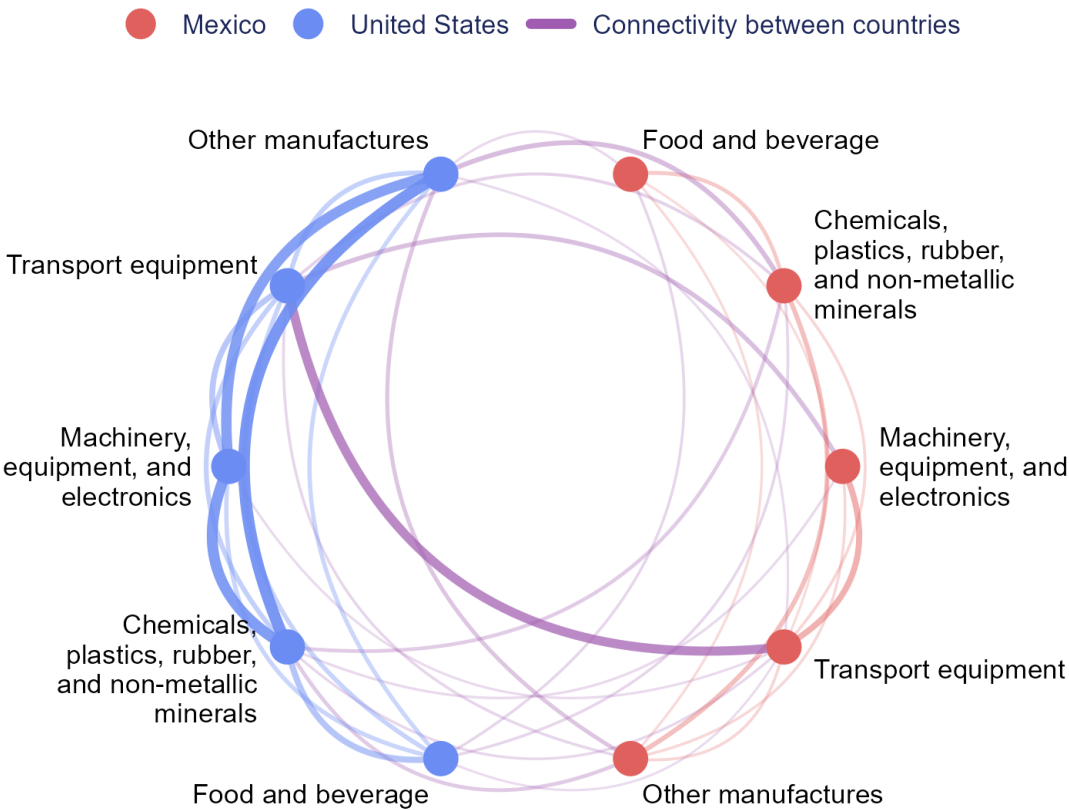
Recent export dynamics led by technology oriented sectors, there is scope for further integration.

Mexico's exports of products highly related to AI ^{1/}
Billions of dollars



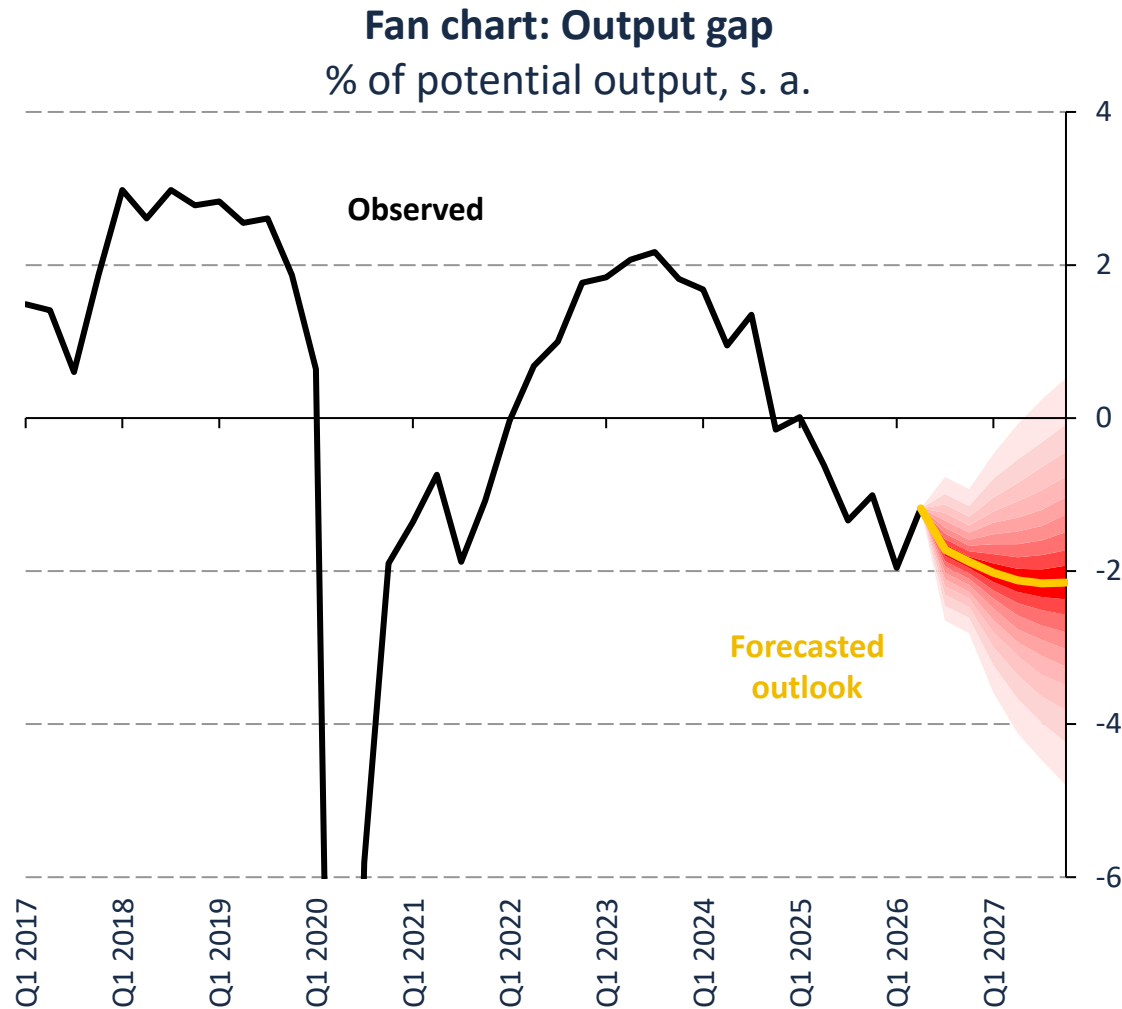
Notes: 1/ Classification within the AI category was performed at the tariff line level based on Waugh (2026). Selected SCIAN branches correspond to those with the largest share of total AI-related exports in 2025. Source: Banco de México, based on data from SAT, SE, Banco de México, and INEGI.

Connectivity network between manufacturing sectors in U.S. and Mexico

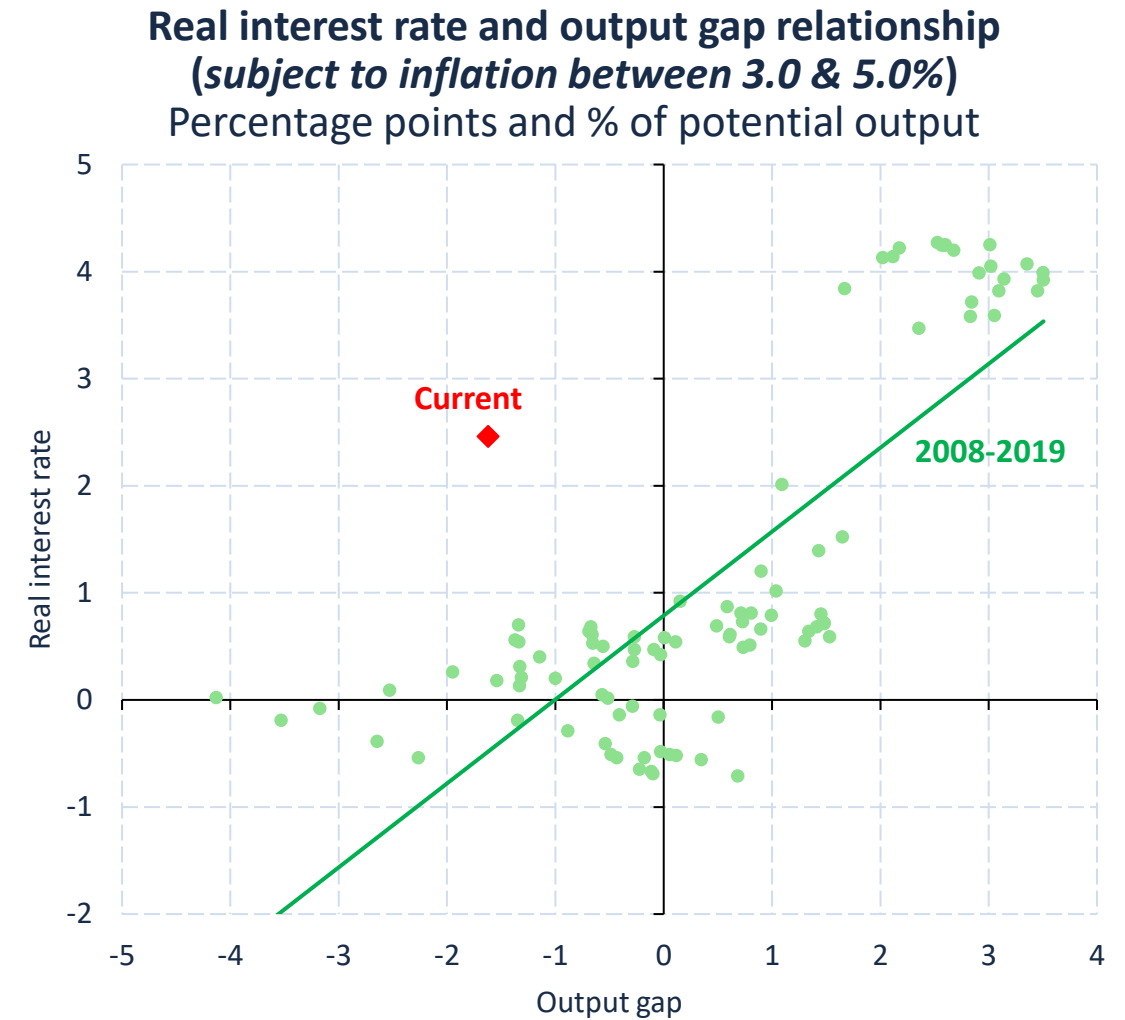


Note: Each node represents a specific sector-country pair, and the thickness of each line indicates the strength of connectivity between nodes, measured as the average of the sum of bilateral spillovers between sector-country pairs. Connections with lower values are omitted to highlight the most significant relationships between sectors. Source: Banco de México using data from INEGI and FRED.

Given the macroeconomic conditions, the monetary policy stance remains restrictive in both technical and comparative terms.

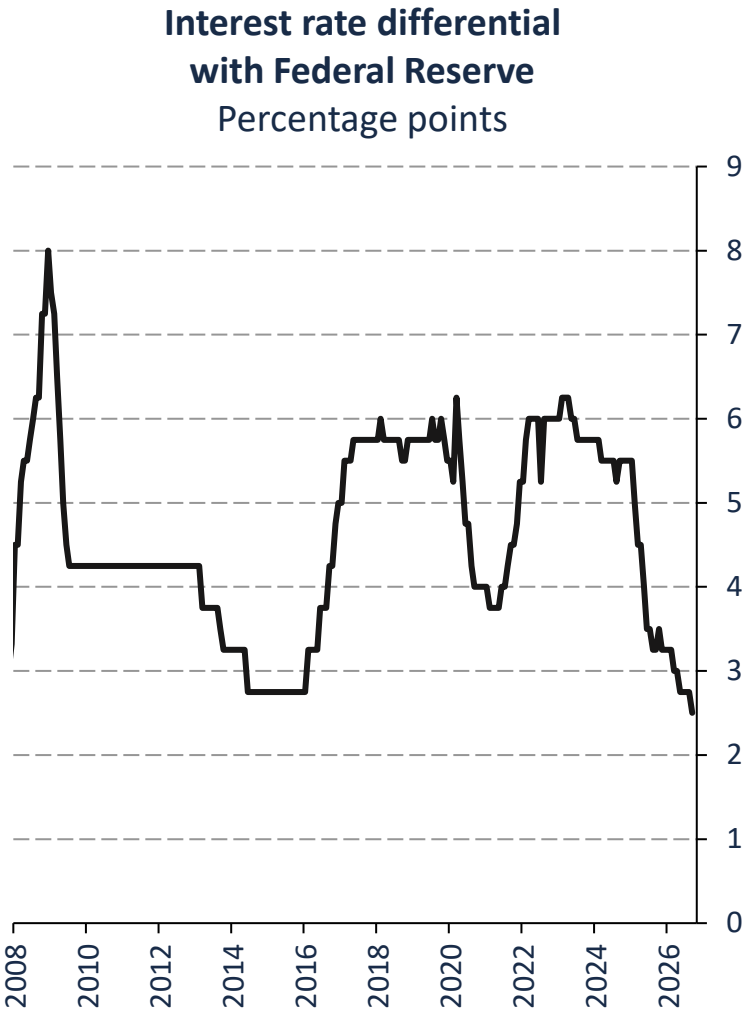


s. a./ Seasonally adjusted figures.
Source: Banco de México.

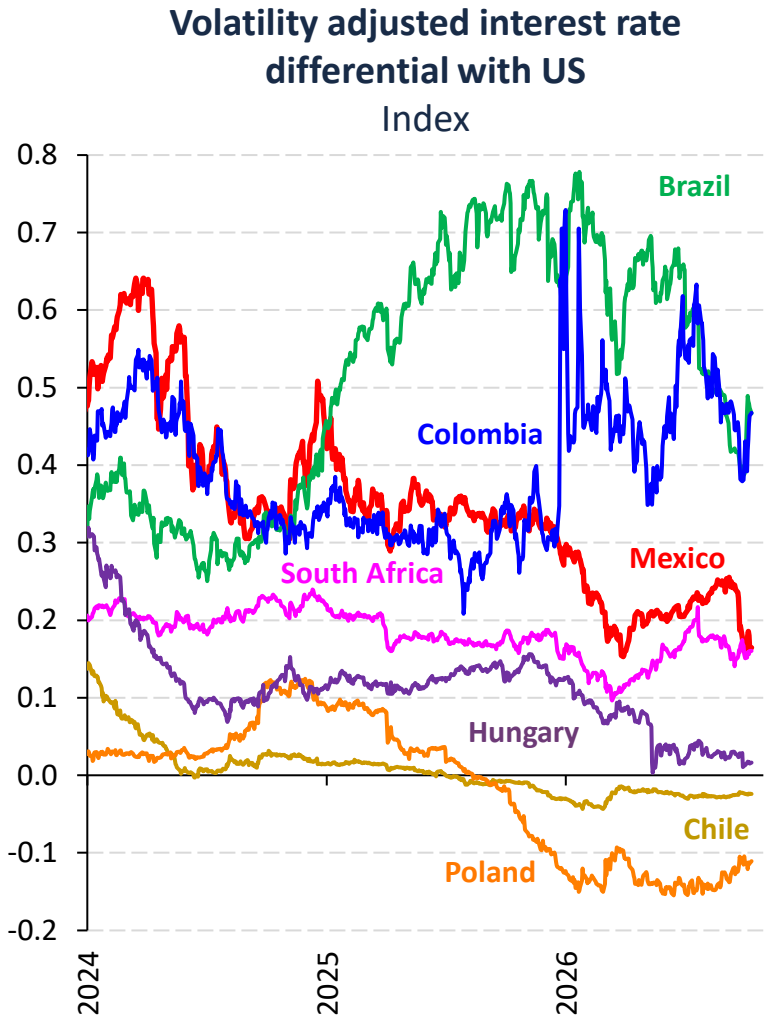


Source: Elaborated with Banco de México data.

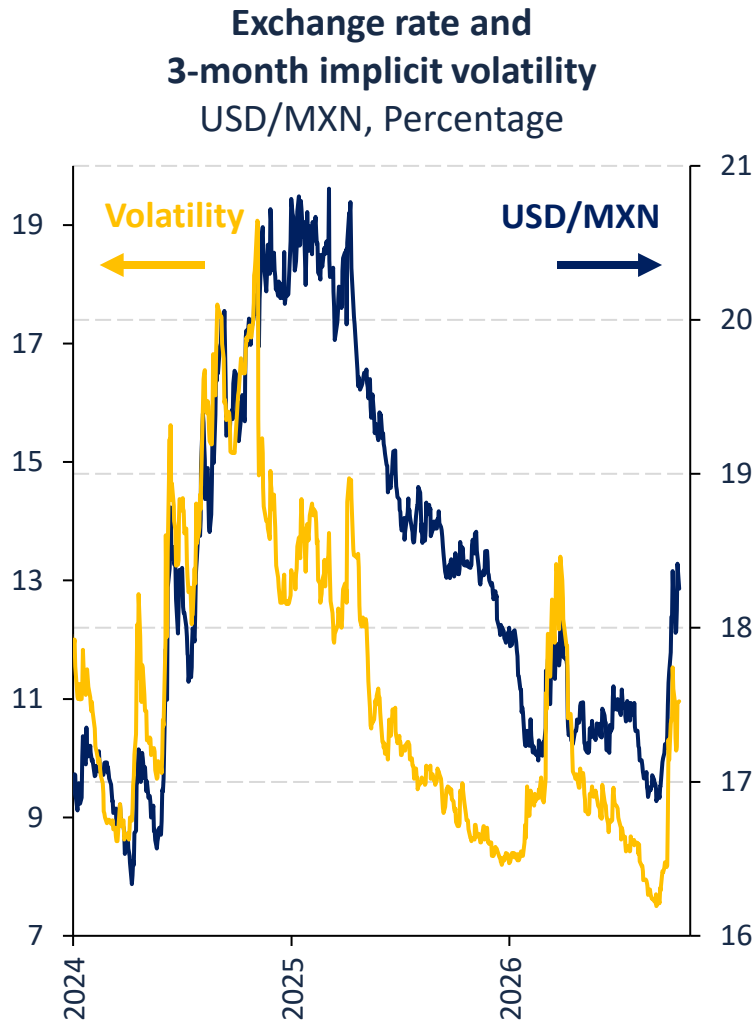
Interest rate differentials with the U.S. have narrowed, however Mexico’s risk adjusted spread remains high.



Source: Elaborated by Banco de México with data from FRED and Banco de México.



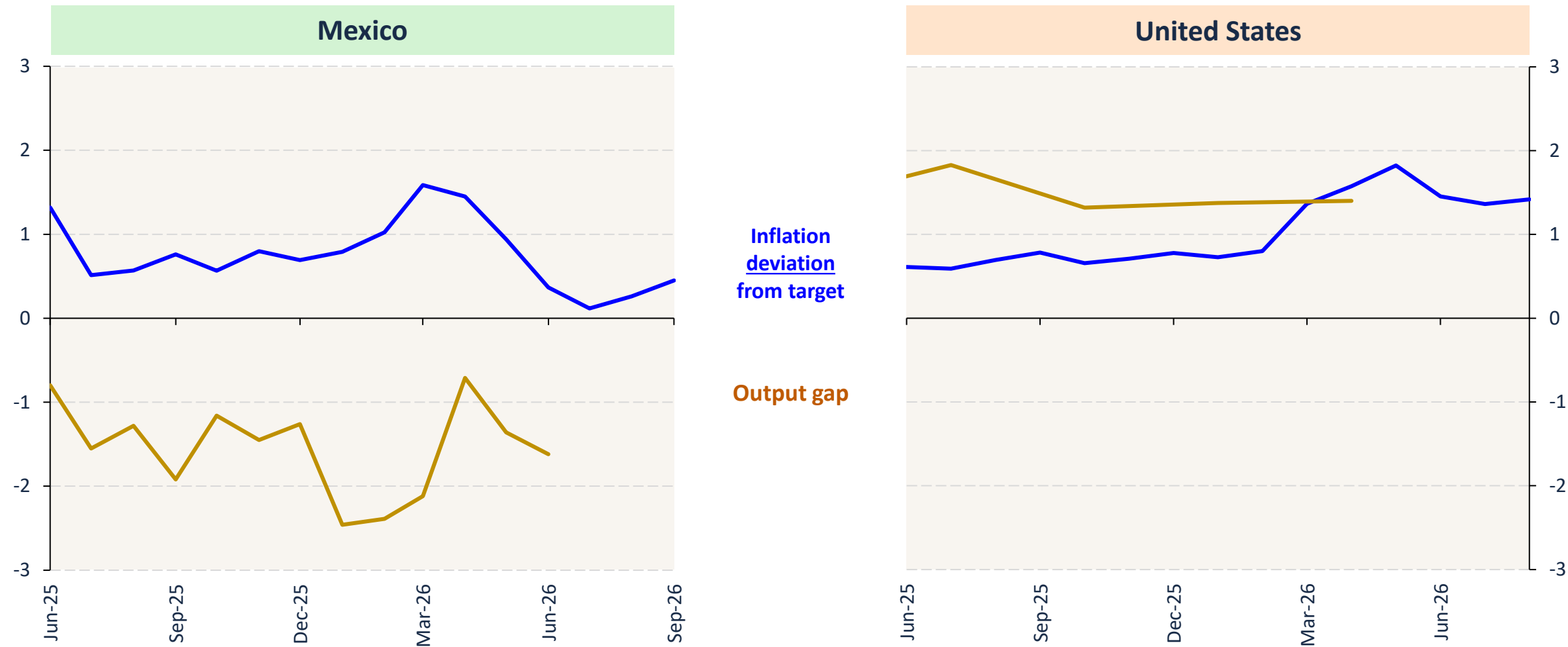
Source: Elaborated by Banco de México with data from Bloomberg.



Source: Banco de México and Bloomberg.

The macroeconomic conditions are also different between Mexico and the US.

Current macroeconomic indicators
Annual % change, Percentage of potential output



Note: For US inflation, it was used the personal consumption expenditures (PCE) deflator.
Source: FRED (Bureau of Economic Analysis & U.S. Congressional Budget Office), Banco de México and INEGI.

Long-term yields



United States

+70-80 bps 30-year US Treasury yield, YTD change

Recent US dollar strengthening



Tighter global financial conditions

Drivers

- 1 Stronger-than-expected US growth
- 2 Investment flows demand (competition stemming from the technology sector)
- 3 Geopolitical uncertainty with inflation risks implications
- 4 Federal Reserve policy expectations



Mexico

+25-60 bps 30-year Mbono yield, YTD change

- 1 Yields rose less than in the US
- 2 Risk premia moderated increase
- 3 Affected recent peso performance
 - Can influence final and intermediate imported goods prices

Evidence suggests a limited pass-through of exchange rate movements to prices when economic slack prevails



Monetary policy

- 1 Determine whether we observe a exchange rate pass-through to prices
- 2 Possible effects of global financial conditions and uncertainty on economic activity
- 3 Policy in the context of prevailing economic slack conditions

The monetary policy response will depend on the risks that materialize regarding the inflation outlook



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